

The China-Pakistan Economic Corridor

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ABSTRACT

The China-Pakistan Economic Corridor (CPEC), part of the People's Republic of China's Belt and Road initiative, is a collection of infrastructure, energy, and technology projects currently being constructed throughout The Islamic Republic of Pakistan and the western Xinjiang region of China. CPEC, coined as a "game changer" by Pakistani officials, is the most recent manifestation of a burgeoning relationship between China and Pakistan. China is financing the projects through a network of zero-interest loans, grants, and low-interest loans to the Pakistani government with a total planned investment of 45 billion USD. The main goal of CPEC is increased economic connectivity and stabilization throughout Pakistan. The purpose of this paper is three fold: to study the economic impact of the China-Pakistan Economic Corridor (CPEC) on the Islamic Republic, to determine what China hopes to achieve in Pakistan/CPEC, and finally to examine if and how the United States with its strategic interests and close, complicated history with Pakistan, will (or can) maintain its influence in Pakistan if Pakistan is transformed. I will argue that the Chinese economic development strategy behind CPEC will actual do more to address the fundamental deficiencies of the Pakistani economy than the military focused (and economic-lacking) aid strategy of the United States. In this paper I am going to discuss the China-Pakistani Economic corridor, what exactly the cooperation entails in terms of physical infrastructure, economic stimulus, the background of the relations between China and Pakistan. Then I will address the issues Pakistan is facing, specifically the lopsided aid, lack of state functionality, and dismal economic development.

INTRODUCTION

The signature project of the China-Pakistan Economic Corridor (CPEC) is the development of the warm water Gwadar Port in the South of Pakistan, which will be linked to the farthest-west Chinese city of Kashgar. The Gwadar Port will give China an Arabian Sea port and an alternative to the increasingly contentious South China Sea maritime route of transportation. This port will improve trade, transportation, and security in the South Asia region. China also has the opportunity to develop its largest and one of its poorest regions, Xinjiang. Xinjiang has long been plagued by terrorism and ethnic unrest within the Uighur Muslim community (Martina, Reuters). Pakistan is specifically poised to benefit from CPEC with the prospect to replenish its economy, fix its chronic energy shortages, and most importantly, address its security situation. CPEC will facilitate the upgrading and expansion of railways, highways, airports, and metros throughout Pakistan (Pakistan Ministry of Planning, Development & Reform). The devastating energy shortages, which stifle economic productivity, are expected to be alleviated through the addition of wind, solar, nuclear, and coal energy facilities (Malik, 23). The improved infrastructure and economic development within Pakistan is expected to increase stabilization in Pakistan's historically troubled security situation. CPEC is slated to vastly improve conditions within Pakistan and Western China. Through staying the course with the CPEC initiatives and maintaining security and protection for the project's workers, the China-Pakistan Economic Corridor offers a promising opportunity of peace and stabilization to Pakistan.

HISTORY OF RELATIONS and PAST ECONOMIC ENGAGEMENT

Pakistan and China have had formal diplomatic relations since 1951. Indeed, Pakistan was the first Muslim nation to formally recognize the Communist government of China in 1950 (Vertzberger, 4). China and Pakistan's original relationship was ambiguous and largely based upon their shared animosity towards India. The relationship has since evolved into close strategic cooperation of terrific importance to both countries (Small, 2).

Economic ties between the two countries initially consisted of the export of Pakistani food and raw materials including jute, textiles, and cotton to China, with China becoming the largest buyer of Pakistani cotton in 1963 (Vertzberger 77). The percentage of overall export trade to China slowly increased over the 1960s from 0.4% in 1962 to 8.1% in 1965, and 4.2% in 1969 (Yueh 362). The signing of a trade agreement in 1961 between China and Pakistan strengthened economic relations and guaranteed Pakistan "most-favored-nation treatment on a bilateral basis" (Vertberger 76). Pakistan and China maintained steady trade from 1970-1980, buoyed by the 1972 construction of the Karakorum highway, which linked the northern Pakistani city of Islamabad to the western Chinese city of Kashgar (Vertzberger 77) (cpec.pak.gov).

The 1989 signing of a bilateral investment treaty signaled the renewal of economic cooperation between the two countries. Nonetheless until the 1990s, trade between China and Pakistan was particularly focused on the military and often used for political means (Small 34). The turn of the century marked a drastic expansion of

bilateral trade between China and Pakistan. Bilateral trade between the two countries was only 768 million USD in 1994, 1.1 billion USD in 2000, 4.2 billion USD in 2005, and 16 billion USD in 2014. (pk2 mofcom) (nation.pk). A bilateral free trade agreement, facilitated by the World Trade Organization (WTO), was signed between Pakistan and China in 2006, and contributed to the growth of Pakistani exports to China from 833 million USD in 2005 to 1.2 billion USD in 2009 (Hartpence 582). Chinese imports remained steady from 3.4 billion USD in 2005 to 3.7 billion USD in 2009 (Hartpence 586). The top products imported from China included electronic equipment, nuclear reactors, boilers, and machinery. CPEC is the most significant manifestation of Sino-Pakistani economic activity. The economic corridor is designed to facility the growth of economic connectivity between the two countries and solidify the burgeoning relationship.

The China-Pakistan Economic Corridor is part of China's Belt and Road initiative. The Belt and Road initiative is China's ambitious plan to recreate the historic Silk Road Trade route encompassing Africa, Europe and Asia. The Belt and Road Initiative was first introduced during Chinese President Xi Jinping's September 2013 state visit to Kazakhstan (Lingliang, 430). The Belt and Road initiative hopes to draw upon the old Silk Road Spirit of "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit" and apply it to a 21st century world economy (Pakistan Ministry of Planning, Development & Reform). The Belt and Road initiative is loosely split between the overland Silk Road Economic Belt which will run from China overland through Eurasia whereby reaching Europe and then looping back around, and the 21st Century Maritime Silk Road which will run from China's South China sea ports

all the way to the Middle East and the Red Sea. The main purpose of the maritime and overland routes is to promote economic connectivity. “The Belt and Road initiative aims to promote the connectivity of Asia, European, and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and road, set up all-dimensional, multitier, and composite connectivity networks, and realize diversified, independent, balanced, and sustainable development in these countries” (Hongjian). As the Belt and Road initiative is quite ambitious and even overwhelming in scope, China has divided the plan up into specific economic corridors with different countries. CPEC is one of the individual action plans. CPEC is best understood within the greater vision of China’s Belt and Road initiative. CPEC is only a segment of the grander scheme of reimagining the classical Silk Road trade route in the 21st century. CPEC will fit into the ‘master plan’ of the Belt and Road Initiative through the development of the Gwadar Port in the South of Pakistan, thus allowing China access to the Arabian Sea (Haider). It will open up access to the underdeveloped Xinjiang region of China, and allow for the Central Asian Republics to be connected to the trade route. When the 21st century Belt and Road initiative is viewed in a historical context, it is actually bigger than the original Silk Road route. The maritime Silk ‘road’ route revamps access to Africa and the Middle East from South Asia, providing for access not known in the original overland Silk Road route (People’s Daily).

The plan for an economic corridor was first discussed during the Chinese Premier Li Keqiang’s state visit to Islamabad, Pakistan in May 2013, where he met with Ex Pakistani President Asif Ali Zardari (The Frontier Post). During Pakistani Prime Minister Nawaz Sharif’s subsequent visit to China in July 2013 numerous MoU’s were

signed to signify the advancement of the economic plan. 2014 marked a momentous year for the Belt and Road Initiative and CPEC (The Express Tribune). China expedited progress on numerous Belt and Road initiative projects within Russia, Kazakhstan, and other Central Asian Republics. The Asian Infrastructure Investment Bank (AIIB), crucial to funding for the Belt and Road initiative, had twenty-one Asian countries join it and Beijing was announced as the AIIB headquarters (Kabiraji). In November 2014, China proclaimed that it would invest \$45.6 billion USD in a collection of CPEC projects – \$33.8 billion USD was set aside for energy projects and \$11.8 USD for infrastructure projects (Pakistan Ministry of Planning, Development and Reform). The \$45.6 billion USD investment was formally inked during President Xi Jinping's visit to Lahore in April 2015. In August 2015 an additional 20 cooperation agreements, valued at 1.5 billion USD, were signed in the Chinese city of Karamay (Rizvi 129). The importance of CPEC was underscored when it was included in China's 13th Five Year Development Plan (Rizvi 130.)

CURRENT PROPOSALS IN CPEC

This section outlines the different projects of CPEC, implementation strategies and potential benefits for Pakistan. The collection of projects included in CPEC reflect Pakistan's need for economic development and Pakistan's desire for energy security. From a Pakistani perspective, the Chinese development strategy being implemented in the CPEC projects is ideal for its low-interest loans, grants, zero-interest loans, and

China's 'no questions asked' development policy of non- interference in state affairs (Clegg 202). Indeed CPEC is Pakistan's golden ticket to improving their energy security, economic development, and infrastructure. The individual projects of CPEC are outlined in the below and will be discussed as well (Waliza Hid).

The Gwadar Port is perhaps the most significant project in CPEC. Located in the South of Pakistan, the city of Gwadar was small and insignificant until the construction of the port began in 2002 under the Musharref administration and it was later bundled into CPEC after the Chinese Overseas Port Holdings Ltd took over management in 2013 (People's Daily). The projects in Gwadar include an international airport, hospital, desalinization water treatment plant, dredging of berthing areas/channels, construction of breakwaters, and an Eastbay Expressway (highway). In addition, a coal power plant will be constructed outside of Gwadar (Pk.gov, CPEC). China is completely financing the Gwadar renovations and projects through providing zero-interest loans (Geo TV. Gwadar is poised to become a major port city on the Arabian Sea with access to South Asia, the Middle East, and Africa (Haider, Mehtab). Investing in Gwadar Port and developing the surrounding area into an economic hub will not only allow China access to the Arabian Sea, but it will help stabilize the Balochistan region of Pakistan, which has been a hotbed for terrorism in Pakistan. The opportunity to ease access to Balochistan and offer economic prospects to unemployed people within the region will only benefit Pakistan and prove a 'win-win' situation for both China and Pakistan (Abid, Ashfaq, 143).

The energy shortfalls in Pakistan are nothing short of a crisis, hindering economic growth and development, and are one of the critical issues Pakistan hopes to address through CPEC. Of the 45 billion USD China is providing for Pakistan, 35 billion of it is set aside

for energy generating projects. While Pakistan only has an energy generating ability of 22,000 MW and deals with energy deficits of 4,500 to 5000 MW (megawatts), the collective CPEC energy projects are estimated to generate 17,000 MW of energy (The Wilson Center, Malik, 15). Numerous energy producing facilities such as coal power plants, wind power projects, solar power parks, and hydropower facilities spread throughout Pakistan are being financed by China and are expected to be completed by 2020, thereby working towards securing Pakistan's energy crisis. An Iran-Pakistan pipeline is also in the works (The Nation).

CPEC aims to rejuvenate and expand Pakistani infrastructure such as highways, railways, and metros, with the goal of improving transportation and opening access to rural, disparate areas. The highway projects can be divided into four main routes the Eastern, Central, Western routes, and the Karakorum Highway renovation and expansion (Dawn News Media).

The Karakorum Highway, originally constructed in 1972, runs from Abbottabad, a city outside the Pakistani capital through Gilgit in the far North of Pakistan, across the Chinese border and into the Xinjiang province of China (Shanktar, 7). It was a strategic collaboration from Pakistan and China to ease access to the rural region of Xinjiang that comprises the border of the two nations. The highway is being renovated and expanded to improve transportation between the two remote, rural regions of each country (Shanktar 7). In addition, an upgraded four lane highway will be built to link the Pakistani city of Skardu to the Karakorum highway (Samaa TV).

The 'Eastern Route' or Karachi-Lahore M5 highway will expand and link the cities of Multan and Sukkur, located in central Pakistan, to Lahore and Karachi (Dawn

Media). Thus creating a cohesive line from the southern port city of Karachi all the way to Lahore. A highway running from Gwadar Port to connect with this highway is in the works as well. “The Central Route will originate from Gwadar and reach Dera Ismail Khan via Basima, Khuzdar, Sukkur, Rajanpur, Layyah, Muzaffargarh and Bhakkar – slicing right through the middle of Pakistan” (Haider, Dawn Media). The ‘Western Route’ will renovate and expand the N25, N50, and N85 (most of which is already completed) highways running from Gwadar to the city of Dera Ismail Khan (Daily Frontier Star). Then, a completely new highway, the Brahma Bahtar–Yarik Motorway, will be constructed to link the city of Dera Ismail Khan to Islamabad and the Karakorum Highway, therefore essentially linking Gwadar to Islamabad (and onward to China) by a continuous set of motorways stretching along the Western frontier of Pakistan (Djankov, Miner).

The railway system in Pakistan is set to be completely overhauled with a continuous rail line connecting Gwadar in the south of Pakistan all the way to Kashgar in the west of China. New rail lines will run perpendicularly across Pakistan with the eventuality of linking Pakistan’s railways to the railways of the Central Asian Republics. Additionally, a metro line will be built to alleviate transportation and commuter needs around the city of Lahore (The Express Tribune, 2014). It will be Pakistan’s first mass rapid transit system. There are three main rail lines: Main Line 1, 2, and 3 (ML1 etc.) ML1, running from Gwadar to Karachi to Kashgar is the focal point from which the other rail lines will be built around and intersect. ML2 will run from Hyderabad in the south to Lahore and then on to the capital Islamabad (Sost Today).

The benefits of CPEC and the strategic Chinese relationship are valuable to Pakistan. CPEC has major endeavors that could improve Pakistan. The essence of CPEC – innovation, improvement, revitalization, and change – could transform the nation. If all the proposed projects are successfully implemented, CPEC could drastically improve economic conditions, energy security, economic connectivity and investment potential in Pakistan. While Pakistani leaders tout how CPEC will be a ‘game changer’ and ‘golden ticket’ for Pakistan, it is essential to evaluate whether Pakistan has the commitment, dedication and appetite for austerity to implement the CPEC projects and see the benefits come to fruition. While this is essentially a paper on the economics of CPEC and the economic benefits to Pakistan in contrast to United States’ lackluster aid, it is important to stress the political circumstances and implications that surround CPEC. Most importantly, CPEC is reliant upon Pakistan to provide proper security for Chinese workers, Pakistani workers and the physical CPEC assets. The projects must be able to be constructed, in a secure environment for all parties involved.

WHAT DOES CHINA HOPE TO ACHIEVE IN CPEC?

While Chinese intentions in advancing CPEC will be discussed at more length later in this paper, it is important to note the significant difference between US and Chinese aid to Pakistan. The United States has failed to develop and stabilize Pakistan through its giant aid packages, all heavily focused on the military, whereas the Chinese have offered infrastructure and energy projects (OECD). Most of the Chinese projects

are still under development, some are completed and some need financing. The giant sum of money the Chinese have committed to CPEC still has to materialize in the form of solid projects with verifiable outcomes. The massive scale and opaque nature of the CPEC proposals has cast doubt on China's ability and commitment fulfilling its financial commitments to the projects. The Chinese have a complicated history of following through with their commitments to massive undertakings such as CPEC. It can still be argued that CPEC and the prospect of Pakistani stability are more strategically important to China than investment in Indonesia or Malaysia (Javaid, 120). China has a keen interest in Pakistan becoming more stabilized and economically developed. The motivations and reasons for China's interest in Pakistan's stability are inherent and will be explained later in this paper. The best route forward, as determined by China, is to focus on trade, investment, and economic connectivity, hence, CPEC. While CPEC does not address the improvement of democracy within Pakistan or Pakistan's dismal conditions of education, the Chinese Pakistan-strategy is certainly consistent with China's policy of 'non-interference in foreign state's internal affairs' (Clegg 87) (CIA Factbook).

The discussion surrounding CPEC and the Chinese-Pakistani friendship must involve India, and how India factors into the development of CPEC. Trade between Pakistan and India is very low and relations between the two countries remain edgy (Smith, 25). India-China relations have been terse (Singh, 57). India views the China-Pakistan relationship with wariness and the CPEC deal with grudging acceptance. Recently, the Pakistan-India Kashmir dispute has become the focal point of India's issue with China and Pakistan, most notably the CPEC railroad and pipeline that are set to pass

through the region. India's Prime Minister, Narendra Modi, has warned Pakistan about destabilizing the Kashmir region and stated that India will be increasingly assertive in the region (Smith, 34). China has stated that CPEC plans will continue as it benefits all countries in the area and poses no encroachment on Indian interests. Despite the recent Kashmir clashes, relations between Pakistan and India have been slowly improving. The 2016 visit of Prime Minister Modi to Pakistan signaled a thaw in the relationship. Both India and Pakistan would benefit from a friendlier relationship. While CPEC does not directly impact India's internal interests, CPEC is poised to be a point of contention and debate within the sphere of China-Pakistan-India relations (Singh 340).

The Chinese strategy and motivation behind CPEC is based upon attaining access to the Arabian Sea (an alternative to the South China Sea and Strait of Malacca), developing its westernmost, and often troubled, province of Xinjiang, and the inherent Chinese interest in the economic development and stabilization of Pakistan. As outlined in China's Action Plan on the Belt and Road Initiative, China is determined to focus on pure economic connectivity, development, and trade. Through this concept of 'peaceful development' China is focusing on economic aid, infrastructure projects and energy projects. This recent approach to Pakistani development breaks from the historically close Pakistani-American relationship, in which the United States provided Pakistan with military assistance and aid-focused agenda, in contrast to focusing on economic development (Schaffer, 17). "The concept of peaceful development is essentially China's response to the US turn towards unilateralism and pre-emptive strike, aiming to highlight its own new activist diplomacy for peace, linked with the opportunities through win-win exchange for development" (Clegg 287). Chinese Foreign Minister Wang Yi rejected

claims that CPEC is an Asian version of the U.S. Marshall Plan, stating, “The initiative is the product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with an outdated Cold War mentality” (China Daily).

China’s global strategy has been geared towards moving to a multipolar world (Clegg). This has lead China to seek stronger relations with developing countries and third world countries so as to ‘even the playing field’ with the United States in a sense. China does not believe that there should be one world power (the United States) to hold hegemony over the rest of the world. “since 1982, the multipolar strategy has been at the core of China’s foreign policy as it has actively pursued North-South dialogue as well as the expansion of South-South cooperation as a form of collective Third World self-reliance” (Clegg 293).

While China may not have any overt geopolitical ambitions or ideologies in implementing CPEC, they are committed to expanding their economic imprint on South Asia. “For China, economic interdependence is the most significant incentive to influence calculations of interest and tip the balance in favor of cooperation in both multilateral and bilateral negotiations” (Clegg 203). CPEC is an excellent vehicle for them to secure a stable and developed Pakistan, while also forwarding China’s own regional economic ambitions. The Chinese development strategy in Pakistan differs from other countries such as the United States, in that China is not as concerned about human rights standards or democratic processes to be in place.

The Chinese development strategy of focusing on economic connectivity and partnerships is not unique to Pakistan. Indeed, as part of China’s belt and road initiative numerous other countries are engaged in economic corridors and such. Out of these

regional initiatives, as part of the Belt and Road initiative, the CPEC is arguably the most important to China, both domestically and globally. For this reason the Chinese financial investment in Pakistan is so substantial and the importance of a stable Pakistan is critical to China's regional economic agenda. While simultaneously acting as a geographical 'buffer' to Pakistan and a gateway to Iran, the Middle East, and the Central Asian Republics, Pakistan is uniquely placed to develop in China's agenda. The Chinese development strategy does not hold Pakistan to human rights standards or insist on international transparency/commercial norms. For instance, Chinese contractors or companies would not hesitate to pay 'bribes' to 'grease the wheels' in a business negotiation (Schaffer). Whereas an American company or government would have trouble negotiating under these terms. While the Chinese development strategy and methods may seem like a morally deficient approach to development, it is part of China's insistence on not interfering in state's internal affairs as stipulations for their development agenda. China accepts Pakistan as a country with a terrible terrorism and insurgent issue within its own borders and along the porous border with Afghanistan. Instead of supplying Pakistan the military assistance and aid to directly confront these insurgents, China is choosing to further both its own objectives and Pakistan's by an aggressive investment strategy focused on Pakistan's critical economic issues, in the hopes that it will work towards alleviating the security situation (Yueh, 45). The major underlying economic issues in Pakistan are the chronic energy shortages, dismal infrastructure, and lack of economic connectivity. An estimated 700k jobs will be created through the CPEC initiative and a sizeable number will be in Baluchistan, a troubled region of Pakistan and a region in dire need of updated infrastructure and increased connection to

the rest of the country (Pakistan Ministry of Planning, Development and Reform).

PAKISTANI DEVELOPMENT AND STABILIZATION

The most obvious reason China is focusing heavily on development within Pakistan is to ease security tensions within the Islamic nation. Pakistan, since its partition from India in 1947, has long struggled with insurgents and terrorists operating within its borders and on the border with Afghanistan (Malik, 12). China realizes the threat from an unstable and undeveloped Pakistan could very well spill over into its Xinjiang province, which has its own insurgent problem within the Uighur Muslim community. The Baluchistan region is one of the most troubled regions of Pakistan, prone to insurgents. The development and increased access to the rest of Pakistan will ‘open up’ Baluchistan and provide jobs for the unemployed in this region. Economic development has been found to be one of the best preventative measures in the case of terrorism and radicalization (World Bank.). It is China’s hope that this will work toward alleviating the insurgency in the area. A stable and developed Pakistan with an improved transportation system will allow china access to the Central Asian Republics and the rich oil deposits they contain. The rail ways, being constructed through CPEC, which will connect Pakistan to these countries will be able to transport supplies and equipment.

Baluchistan has long been one of Pakistan’s most troubled regions and has been the epicenter of terrorist activity along with the porous border Pakistan shares with Afghanistan. CPEC has been poised by both the Pakistani and Chinese government as a

job-creator in this region and a vehicle to drive infrastructure growth in Baluchistan. The Pakistani government has estimated 700K will be created within Baluchistan province and in the city of Gwadar, which is located in Baluchistan (Pakistan Ministry of Planning, Development and Reform). The Chinese government encourages the creation of jobs in Pakistan through these developments. An unstable, violent Pakistan could be a disaster for Chinese regional ambitions. By promoting stability within the country, Pakistan will mitigate the threat of radical jihadi insurgencies spilling over into China and will secure a stable ally to keep India in check. As Clegg notes, China's co-operative security model emphasizes "security based on development" in contrast to the US hegemonic order, which emphasizes "security based on military power." (Clegg, 63). Clegg also states in relation to development in different countries and the human rights concerns, china's co-operative security model emphasizes "harmony in diversity", which heavily downplays human rights concerns and concerns of democratic, liberal policies being in place, while the US hegemonic order emphasizes "universality of liberal values and democratic values." (Clegg, 63). When operating in countries such as Pakistan this gives china an inherent advantage over countries like the United States.

MALACCA DILEMMA

The Chinese economy is driven by its unquenchable thirst for energy resources. China, a net-importer of oil, views energy security as one of the greatest factors in deciding China's growth trajectory and guaranteeing that they can fuel their ambitious plans for the 21st century. China needs to guarantee a steady supply of energy to its domestic economy. While China holds vast coal deposits, growing environmental and health concerns are pushing China to look for alternative energy sources and routes. China has recently announced a renewed effort to wean itself off of coal as evidenced by its commitment to close 100 coal mines (Forsythe). Indeed, China is currently the world's largest importer of coal, 77% came from the Middle East and Africa combined in 2005 and in 2014 this grew to 83% (Caesar-Gordon, 12). "China will remain heavily dependent on Middle Eastern oil and gas for 30 or 40 years at least." Most (85%) of this oil passes through the Straits of Malacca, located in between the Malay Peninsula and Indonesia (Caesar-Gordon, 12). In recent years, there has been a growing concern from the Chinese over the reliance on this shipping lane and the security implications from a perceived threat the US could pose, this has been called the 'Malacca Dilemma' (ZhongXiang, 7612). The concern is that a rival or enemy such as the United States could compromise the Strait of Malacca and hold a strategic advantage over the Chinese. "Malacca has a great influence on energy transport security; in periods of non-peace, America and countries along the strait would have the ability to restrict China by utilizing the Malacca Strait" (Shanktar, 11). Disputes over territory in the South China Sea

between the Chinese, United States, and other Asian countries has only aggravated the concern on over-reliance of the Straits of Malacca as oil route (Shanktar, 10).

Chinese is left with roughly three options to address the Malacca Dilemma. First, China could beef up its naval and military presence in the South China sea and Malacca straits. While this might satisfy security concerns, it will not prove to be long-lasting strategy. Second, China could increase its domestic oil production capabilities, and expand upstream oil production in the South China Sea and Xinjiang. Third, China can look for alternative routes of transportation that ease reliance on the Malacca Straits. One such route would be the development of the Gwadar Port and the pipeline from Gwadar to Xinjiang Province, China. China is likely to implement a combination of all three of these strategies in the long run.

Focusing on Pakistan in China's energy security quagmire, it is difficult to see how China could solely rely on utilizing Pakistan as a viable alternative route to transport oil from Africa and the Middle East. Despite, the kilometer distance from Gwadar to China being shorter than going the Malacca route, land transportation of oil is far more expensive than maritime transportation and the proposed Gwadar-Xinjiang pipeline would have to traverse a rugged, mountainous region on the border of Pakistan and China (Blossom, Global Oil Pipelines). Even if the pipeline were constructed and brought online, the oil would be transported to Xinjiang Province, far from China's Eastern regions, where the oil is most needed. Regardless, China is moving forward with constructing and financing the pipeline (Press TV). The strategic interest of Pakistan in China's energy security rests in the strategic location of the Gwadar port, access to Iranian oil, and the avoidance of the Malacca strait. Gwadar Port gives China a closer

route to transport and refine Middle East and African oil. As part of CPEC, China is investing 1 billion USD in building Pakistan's first deep-conversion oil refinery in Gwadar, "the Gwadar refinery can provide a much safer, cheaper and shorter route for oil transportation to the west of China through the Karakoram Highway," a senior official remarked" (Bhutta, The Express Tribune). Indeed, the 'safety' of the Gwadar port is well noted by the Chinese, in the hopes of offsetting the security concerns with the Malacca Straits. China hopes that through developing Gwadar port into an oil exporting behemoth to China, that Iran will eventually be able to complete their pipeline to Pakistan, which would in theory link up with the Gwadar-Xinjiang pipeline (Press TV). China has deemed Afghanistan too unstable to source oil from Iran. The Chinese government has stated that the Gwadar port and pipeline project would shift around 17% of its total oil imports through Pakistan (People's Daily). "The Gwadar Port will reduce the sea distance to 2,500 kilometres and land distance for Kashgar to 2,800 kilometres because Kashgar is 4,500 km from the main Chinese port of Shanghai. The CPEC related projects will not only save China time but also millions of dollars" (Hellenic Shipping News). It is important to realize that the proposed Gwadar-Xinjiang pipeline has not begun construction and will supplement other strategic energy transportation routes to China, such as the soon to be expanded Kazakhstan-China pipeline and routes from Russia in the effort of easing reliance on the Malacca straits.

The possible, future access to a steady supply of Iranian oil is a decisive factor in China developing Gwadar as a regional exporting hub for oil and gas (Press TV). With the reemergence of Iran on the global economic scene and the lifting of US sanctions, Iran is poised to capitalize on Chinese demand and route oil through Pakistan to China.

The construction of a pipeline between Pakistan and Iran is still struggling to come to fruition, but it looks to be a definite factor in the future (Caesar-Gordon). Iran has already constructed its segment of the pipeline and now is awaiting the Pakistani government construction of Pakistan's segment (Pk.gov (CPEC)). The rising influence of China in Pakistan, the fading influence of the United States, and the construction of the TAPI (Turkmenistan-Afghanistan-Pakistan-India) pipeline all look to be deciding factors of if and when the Iran-Pakistan pipeline comes to fruition (Reed, 132).

The Chinese agenda in Pakistan is rooted in securing China's access to energy resources (Reed, 120). The opportunity to develop and utilize Gwadar Port and Pakistan to China's advantage in satisfying Chinese energy needs and offsetting reliance on the Malacca Straits is well understood as evidenced by the financial commitments of China to Pakistan. Chinese geopolitical strategy and security concerns seem to be taking precedence over the engineering and cost concerns of such an endeavor. The Chinese remain committed to finding an alternative route for transportation of their critical resources from the Middle East and Africa (The Express Tribune). The opportunity to access Middle East, African, and possibly Iranian oil and gas through the Pakistani transportation routes is proving to be a deciding factor in Chinese energy security, hence China emphasizing the construction of Gwadar Port and the Gwadar-Xinjiang pipeline in CPEC (Malik, 25). China believes Pakistan to be a critical route of transportation for oil and critical resources (People's Daily). Pakistan will shorten the distance of good traveling from Africa and the Middle East, while also bolstering Pakistan's domestic economy by providing jobs on the new infrastructure projects.

XINJIANG UIGHUR ISSUE

Improving access to natural resources, expanding infrastructure to transport oil and gas from Kazakhstan, Russia, and Pakistan, and stimulating economic development within Xinjiang Province, thereby alleviation ethnic and religious tensions are the main interests of Xinjiang in the scope of CPEC. CPEC, consisting of the new railways, pipelines, and highways linking China to Pakistan, will provide needed economic stimulus and job opportunities with Xinjiang. This will run concurrent with China's "Going Out" policy of expanding their regional economic imprint, encouraging domestic firms to invest abroad, and improving economic connectivity within Asia (Zhe, 80).

China wants to focus on integrating western China, where the region is rich with natural resources, but culturally very different from east China, the more urban, developed region. As China takes a more activist international role and works toward a more multipolar world, through programs such as the Belt and Road Initiative and CPEC, China has to be careful that this does not strain internal dynamics within the different Chinese provinces (Zhe 83). The most concerning region is Xinjiang, as it is the most remote and disconnected to the rest of China and has had issues of militant groups and terrorism within the province. Xinjiang is China's westernmost province and also it's most well-endowed with natural resources (Barnds, 234). In contrast to the rest of China, especially the east, Xinjiang is very undeveloped economically (World Bank). The economic disadvantage is particularly acute within the Chinese Uighur ethnic group. The Uighurs are an ethnically Turkic people and are culturally much more aligned with Central Asia. Additionally, many of the Uighurs are Muslim, hence they are religiously

and culturally very different from the rest of China (OECD, World Bank). In recent years tensions within the Uighur and Xinjiang province have taken a deadly turn with a spate of terrorist attacks and active militant groups within Xinjiang (Martina). The Chinese government has upped security and their military presence within cities in Xinjiang Province, but this is purported to be aggravating the local population more than anything. Security measures will only go so far in addressing the underlying problems of the Uighur community in Xinjiang, which include; lack of jobs, discrimination, and dismal economic development. Instead the Chinese government has stated that, “Improving the quality of living for all ethnic groups through balanced development might well be the answer. Promoting social and economic development is essential for defusing social conflicts, thereby ensuring ethnic unity and lasting stability in Xinjiang” (People’s Daily). The geographical strategic location of Xinjiang is also a critical issue for the Chinese government. Xinjiang borders eight different countries and is abounding with mineral and coal deposits, “the government is seeking to address regional disparities through massive investment and infrastructure programs in the least developed areas, opening up the west and north-east of the country. The western regions in particular are critical to the supply of energy, since they contain much of the country’s minerals and coal as well as water resources” (Clegg, 155). China simply cannot afford to let Xinjiang slip into chaos. This is where China hopes its relationship with Pakistan will prove resourceful. CPEC already has large infrastructure projects planned to bridge Pakistan and China across the border, thereby improving access to Xinjiang, but the actual economic development within Xinjiang needs to be addressed. Chinese domestic policies are investing vast resources in Xinjiang, and Pakistan has recently announced its

intention “to sign a five-year cooperation agreement with China’s western Xinjiang province to extend the scope of the China-Pakistan Economic Corridor (CPEC) beyond infrastructure and energy projects to commerce and trade” (The Tribune). Pakistan is uniquely positioned to help with the Xinjiang situation due to its geographical proximity to Xinjiang, and the commonly shared Muslim faith. China hopes that Pakistani security agencies will be able to stem the Uighur insurgents, “anecdotal evidence suggests that Muslim Uighurs and their movement have got support from jihadi groups in Pakistan, in the form of training and safe havens” (Malhotra, South Asian Voices). The primary objective of China’s interest in CPEC and looking forward in its role in the world is economic connectivity and expanding its regional economic presence, the only way it will be able to do that is by easing tensions in Xinjiang and raising levels of development within in the province. If this is done correctly, then China will have smooth access to Central Asia and Pakistan, opening of Western Development. It is now possible to envision how the Belt and Road initiative, China’s hope of recreating the Classical Silk Road, will stimulate development and trade within the region.

UNITED STATES – PAKISTAN RELATIONSHIP

China’s involvement in Pakistan, through CPEC, military aid, and other provisions, has to be analyzed in relation to the historically strong Pakistan-American relationship and the United States aid to Pakistan (Barnds, 23). The United States has given vast amounts of assistance to Pakistan since Pakistan’s Partition (OECD). Yet the

situation in Pakistan has not improved and economic development is dismal. Through analyzing how CPEC is different than US assistance, the argument will be formulated that CPEC will in fact do more to improve economic development in Pakistan.

During the Cold War, United States realized Pakistan would be a crucial ally in the struggle against the Soviet Union, and subsequently the U.S. supplied the Pakistanis with military arms. From 1948 to 2011 total US assistance to Pakistan was 67 USD billion, of which 23% was for economic aid, and 67% was for military aid (Butt, 44). The US assistance to Pakistan has fluctuated over the years with different geopolitical events in the region and incentives to US involvement, as evidenced by the graph. Since 2001 and 9/11, the US renewed its interest in Pakistan and flooded the country with military assistance and marginally, economic assistance (Butt, 49). While post-9/11 US military aid outweighs economic aid, US economic aid has still been quite substantial, hence it is important to analyze why economic development is still atrocious in Pakistan (Schaffer 210). The lack of oversight in how the economic aid was administrated is one of the biggest reasons. Aid specifically designated for economic use has been found to be allocated to other means by Pakistani officials, and worse, Pakistani officials are suspected of outright stealing the money (Schaffer 20-21).

The military aid from the US to Pakistan has been the main focus of the US assistance to Pakistan as the main reason of the renewed interest of the US in Pakistan concerns terrorism and rooting out insurgents. Still Pakistan has mismanaged and misused the US military aid. Pakistan has not remained committed to solving their insurgent problem and addressing radicalism within their borders. Indeed, Pakistan, specifically the Pakistani military, seems to enable, covertly fund, and even be permeated

by the very terrorist groups and operatives that the United States wishes to kill (Rashid 12). The Pakistani military has spent US military aid on military equipment not effective in fighting terrorists, but in waging nation-to-nation warfare. Pakistani rhetoric of a aggressive India has been the reasoning for these actions. The United State's objectives in Pakistan are reflected by their military-centered/focused assistance to Pakistan and the approach to sustained economic development in the country has never been realized. Even with the 2008 Kerry-Lugar-Berman bill to refocus the assistance to Pakistan to better reflect economic development, the majority of the money has yet to matriculate to Pakistan (Rashid 67). The US relationship to Pakistan has suffered from the US refocusing on India, drawing resources out of the War on Terrorism in Afghanistan and Pakistan, and the mistrust of the US in believing the Pakistanis are serious about addressing terrorism.

Subsequently, Pakistan and the United States are jointly responsible for the mismanagement of assistance to the country, and the fact remains that the combined US assistance to Pakistan has done virtually nothing to improve economic conditions within Pakistan and has not even been effective in stemming terrorism within the nation. The United States appears to be refocusing attention and interest in India, viewing it as a rising ally in the US power struggle with China. China, long allied with Pakistan, has seen the United States souring of relations with Pakistan and subsequent scaling back of US resources, as a sign to revitalize Chinese interests in Pakistan (Smith 78).

Still, China is a major supplier to Pakistan of military arms and, at times, in the past has been a relatively small donor to Pakistan, even in times of disaster (Butt, 30). The Chinese, as previously explained in this paper, are particularly concerned with their

Uighur community and insurgent groups operating within Xinjiang Province. Certain Chinese insurgents appear to have connections with Pakistani terrorists and have even received assistance. China is firmly committed to stamping this out. The Chinese have offered military assistance, primarily centering on rooting out terrorists, to Pakistan and continue to sell Pakistan military equipment, Pakistan being China's biggest importer between 2011-2015 (OECD). Chinese military assistance to Pakistan, in contrast to US military assistance, can be viewed as being a direct imperative to China's future. A destabilized and insurgent Pakistani state will deeply harm Chinese interests in central Asia and within their own borders, thus while Chinese military assistance to Pakistan is significant, it is with clear and forthright objectives. The US interest in Pakistan has wavered over the years and has involved revolving objectives, with no clear outcome or endgame. Whereas the Chinese first and foremost want Pakistan economically stable, energy secure, and economically connected with the rest of Asia, so as to best facilitate Chinese economic ambitions.

CPEC is the most recent, profound example of the Chinese commitment and assistance to Pakistan. Upon evaluation of the CPEC projects it is evident that many of them are firm, physical, infrastructure and energy projects. Starkly different than the lump sums of US cash assistance designated for the military or economy (Clegg 20). The Chinese are hedging their economic assistance to Pakistan on tangible projects, that will not only benefit the Pakistani economy on the whole, but are much tougher to misallocate and mismanage, especially when the projects are carried out with Chinese oversight. There is of course the opportunity to corrupt the projects in some manner or another, but the Chinese, as seen in their African development projects, tend to manage and oversee

projects effectively on the ground, while the locals are employed as labor (Mansoor). The matter of what the different projects in CPEC are is also important. The energy plants that are to be built by the Chinese are critical in working towards alleviating the energy crisis within Pakistan and growing domestic industry. The Chinese development of Gwadar Port, which they have been handed by Pakistan, will allow Pakistan to better facilitate liquid natural gas (LNG) imports and develop the troubled region of Baluchistan, not to mention the giant hospital and schools being built in the region (Bhutta). The highways and railroads will improve economic connectivity and the new metro services will alleviate transportation troubles in the major Pakistani cities. All of the CPEC projects have specific objectives that are critical to improving the situation within Pakistan. Regardless of China's strategic objectives in Pakistan, when CPEC is viewed objectively in Pakistan, it will drastically develop the country's infrastructure, energy sources, and economy.

The scholar T.V. Paul argues that Pakistan is a case of what he calls 'the geostrategic curse' (Paul, 18). Similar to the resource-curse, where a country is particularly well endowed with a single natural resource (usually oil) and solely relies on it, not diversifying its economy, benefiting a few elite, and doing nothing for economic development. The geostrategic curse, as it pertains to Pakistan, means that Pakistan, which is strategically geographically located in Asia, at the crossroads of several different rising nations, with clear security concerns to many nations, leverages its geostrategic advantage to achieve its goals. Paul equates Pakistan to a 'rentier state,' "living off the rents provided by its external benefactors for supporting their particular geostrategic goals" (Paul, 26) The Pakistani military acting as the highest power in the country

strategically utilizes the money from different foreign aid donors to consolidate its grasp on the major state institutions, benefit the elite (many of them military), weaken democratic institutions, and propagate tension with India (Paul 34). Essentially it true that this is what has happened during the US involvement in Pakistan, throughout all the assistance given to Pakistan. Then, moving forward, if these are to be the accepted characteristics of the Pakistani state and the typical operating mode, it is key to comprehend how Chinese involvement, particularly through the CPEC, will be more effective than the traditional US-Pakistan assistance agenda and actually do more to foster economic development within Pakistan (Paul 187).

CONCLUSION

Through evaluating the impact of the China-Pakistan Economic Corridor (CPEC) and motivation behind the project, part of China's "One Belt, One Road" regional economic investment strategy, my research revealed the lucrative opportunity presented to Pakistan, which is also mutually advantageous to China. Not only will CPEC become a driving force for economic development in Pakistan, but it will improve trade and economic connectivity throughout the Eurasian region. The ambitious plan presented by China looks to increase economic cooperation and development through massive infrastructure projects within Pakistan, as well as numerous other investment opportunities, totaling 45 billion in total investment. Seaports, railroads, and agricultural investments are some of the approved projects poised to impact Pakistan, all of which China has provided the loans for. Pakistan is presented with a unique opportunity to improve its food security and bolster its

agricultural trade, in addition to improving other industries, notably textiles, and solidifying itself as a rising geopolitical power within the South Asian/Eurasian region. Throughout its short history Pakistan, has long been plagued with food shortages and agricultural inefficiencies, China's vision of the China-Pakistan Economic Corridor provides a remedy to cultivate stability within Pakistan, thus stability throughout the region.

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